

Assessment Solutions

Theme 6: Understanding the IRS
Lesson 1: The IRS Yesterday and Today

Part 1

Fill in the blanks with words or phrases from the list below.

internal taxes
Internal Revenue Service (IRS)
personal income tax
income taxes
revenue

1. Our government collects money or **revenue** from taxes and tariffs.
2. **Income taxes** can be levied on both individuals and businesses.
3. **Personal income tax** is based on the amount of taxable income that a person receives annually.
4. Americans were wary of **internal taxes** after the Revolutionary War.
5. The federal agency that collects income taxes in the United States is called the **Internal Revenue Service (IRS)**.

Part 2

Indicate whether each of the following statements is true or false by writing True or False on the lines below.

1. Earned income includes commissions, salaries and wages, and tips. **True**
2. Individuals, not businesses and corporations, pay income taxes. **False**
3. The agency that collects our taxes today is the Bureau of Internal Revenue. **False**
4. Congress passed the first income tax during the Civil War. **True**
5. The first Secretary of the Treasury was Alexander Hamilton. **True**

Part 3

Write the letter of the best answer for each item that follows.

- B** 1. Who has the power to levy taxes?
A. the President
B. Congress
C. the Supreme Court
D. the Internal Revenue Service
- C** 2. Until the Civil War, the federal government's chief sources of revenue were:
A. business and corporate taxes.
B. personal income taxes.
C. tariffs, or customs duties.
D. inheritance taxes.
- A** 3. A permanent income tax was made possible by
A. the Sixteenth Amendment to the Constitution.
B. Alexander Hamilton.
C. the Declaration of Independence.
D. the American Civil War.
- C** 4. "No taxation without representation," was a slogan of the
A. American Civil War.
B. Second World War.
C. American Revolution.
D. Vietnam War.
- D** 5. Unearned income includes
A. commissions.
B. tips.
C. salaries and wages.
D. interest and dividends.